

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 92-638-W/S - ORDER NO. 93-602 *VC*
JULY 23, 1993

IN RE:	Application of Tega Cay Water Service, Inc. for Approval of New Schedules of Rates and Charges for Sewer Service and Implementation of a Water Distribution Charge for its Customers in South Carolina)	ORDER APPROVING RATES AND CHARGES AND IMPLEMENTATION OF WATER DISTRIBUTION CHARGE
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This matter comes before the Public Service Commission of South Carolina (the Commission) by way of Application filed by Tega Cay Water Service, Inc. (the Company or Tega Cay) on January 25, 1993, for an increase in its rates and charges for sewer service and for approval of a Water Distribution Charge for water service provided to its customers in its service area in South Carolina. The Application was filed pursuant to S.C. Code Ann., §58-5-240 (1976), as amended, and S.C. Code Reg. 103-821 (1976), as amended, of the Commission's Rules of Practice and Procedure.

By letter dated February 4, 1993, the Commission's Executive Director instructed the Company to publish a prepared Notice of Filing, one time, in a newspaper of general circulation in the area affected by the Company's Application. The Notice of Filing indicated the nature of the Company's Application and advised all interested parties of the manner and time in which to file

appropriate pleadings. Additionally, the Company was instructed to directly notify all of its customers affected by the proposed sewer increase and proposed Water Distribution Charge. The Company submitted affidavits indicating that it had complied with these instructions. Petitions to Intervene were filed on behalf of Steven W. Hamm, the Consumer Advocate for the State of South Carolina (the Consumer Advocate) and Leon Levitsky as President of Tega Cay Management Company.

The Company's presently authorized rates and charges were approved by Order No. 91-1090, issued December 10, 1991, in Docket No. 90-287-W/S. According to Tega Cay's Application, the proposed sewer rates and charges would increase sewer revenue by approximately \$80,109 and would increase the average sewer bill by 25%.

The Commission Staff made on-site investigations of the Company's facilities, audited the Company's books and records, and gathered other detailed information concerning the Company's operations. Likewise, the Consumer Advocate conducted discovery relating to the Company's Application.

On June 23, 1993, a public hearing concerning the matters asserted in the Company's Application was held in the Commission's Hearing Room. Pursuant to S.C. Code Ann., §58-3-95 (Supp. 1992), a panel of three (3) Commissioners, Commissioners Yonce, Bowers, and Arthur, was designated to hear and rule on the matter. Chairman Yonce presided. Mitchell M. Willoughby, Esquire, represented the Company; Carl F. McIntosh, Esquire, represented

the Consumer Advocate; Jeff Levitsky appeared pro se for Tega Cay Management Company; and Florence P. Belser, Staff Counsel, represented the Commission Staff.

The Company presented the testimony of Edgar S. Weaver, Mayor of Tega Cay¹; David H. Demaree, Vice President of Operations and Secretary of Utilities, Inc.² and Tega Cay Water Service, Inc.; and John S. Haynes, Rate Analyst for Utilities, Inc. Jeff Levitsky, Vice President of Tega Cay Management Company, testified in the place of his father, Leon R. Levitsky, who could not attend the hearing due to a family emergency. The Commission Staff presented the testimony of Bruce Hulion, an Accountant with the Administration Division of the Commission, and Robert W. Burgess, a Rate Analyst with the Water and Wastewater Department of the Commission.

At the beginning of the hearing, the Company and the Consumer Advocate advised the Commissioners of a Stipulation (Hearing Exhibit 1) which the Company and the Consumer Advocate had agreed upon. The Company also advised the Commission that for the purposes of this rate hearing that the Company agreed to all of Staff's accounting adjustments.

Upon full consideration of the Company's Application, the evidence presented at the hearing, and the applicable law, the

1. Mayor Weaver filed as a Protestant in this Docket but testified on behalf of the Company.

2. Utilities, Inc. is the parent company of Tega Cay Water Service, Inc.

Commission makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. Tega Cay Water Service, Inc. is a water and sewer utility providing water and sewer service to approximately 1405 sewer customers and 1447 water customers in Tega Cay, South Carolina. Its operations in South Carolina are subject to the jurisdiction of the Commission, pursuant to S.C. Code Ann. §58-5-10, et seq. (1976), as amended. It appears from the records that Tega Cay is operating under rates and charges approved by Commission Order No. 91-1090, issued December 10, 1991, in Docket No. 90-287-W/S for TCU, Inc. The Commission approved the transfer from TCU, Inc. to Tega Cay Water Service, Inc. in Docket No. 91-453-W/S, Order No. 91-1052, on November 22, 1991.

2. The appropriate test period for the purposes of this proceeding is the twelve (12) month period ending September 30, 1992.

3. Tega Cay's proposed sewer rates would increase from a flat rate of \$20.00 per month to a flat rate of \$25.00 per month for residential customers and a flat monthly sewer charge of \$25.00 per single family equivalent for commercial customers. The proposed rates would increase the average residential customer's bill by \$5.00, or 25%, and would increase the average commercial customer's bill by \$5.00, or 25%, per single-family equivalent. By its Application, the Company is seeking an increase in its rates and charges for sewer service of \$80,109 which Staff has

calculated to be \$80,113. While Tega Cay has not proposed an increase in its present water rates, Tega Cay has requested approval of a Water Distribution Charge to allow for the purchase of water from a governmental body or agency or entity other than the Company. The proposed Water Distribution Charge (as per the Stipulation with the Consumer Advocate) consists of a Basic Facility Charge of \$6.00 per single family equivalent and Commodity Charge of \$1.18/1000 gallons. Tega Cay asserts that its requested increase in its sewer rates and charges and the establishment of a Water Distribution Charge is necessary and justified to allow the Company to maintain the Company's financial integrity, to ensure adequate customer service, and to allow the Company to earn a minimal return on their investment.

4. The appropriate operating revenues for the Company for the test year under the present rates, after accounting and pro forma adjustments, are \$686,450 for the Company's combined operations which reflects a pro forma adjustment of \$25,342.

5. The appropriate operating expenses for the Company's operations for the test year under its present rates, after accounting and pro forma adjustments, for the Company's combined operations are \$532,326 which reflects a pro forma adjustment of \$45,687.

6. The appropriate level of net operating income under the present rates and after accounting and pro forma adjustments is \$154,124.

7. The appropriate level of net income for return under the

present rates, after accounting and pro forma adjustments and the effect of customer growth, is \$156,966.

8. The appropriate operating revenues under the rates approved herein, after accounting and pro forma adjustments, are \$718,363.

9. The appropriate operating expenses under the rates approved herein, after accounting and pro forma adjustments, are \$544,422.

10. The Company's appropriate level of net operating income under the rates approved herein, after accounting and pro forma adjustments, is \$173,941.

11. The appropriate net income for return under the rates approved herein, after all accounting and pro forma adjustments and the effect of customer growth, is \$177,961.

12. The Commission will use the operating margin as a guide in determining the lawfulness of the Company's proposed rates and the fixing of just and reasonable rates.

13. A fair operating margin that the Company should have the opportunity to earn is 8.78% which is produced by the appropriate level of revenues and expenses including interest expense, found reasonable and approved herein.

14. The Company should be permitted to implement a Water Distribution Charge and "pass through" the wholesale rates for bulk water purchased from a governmental body or agency or entity other than the Company and provided to its customers under the conditions set forth in this Order.

15. The rate designs and rate schedules approved by the Commission and the modifications thereto as described herein are appropriate and should be adopted.

16. The rates and charges depicted in Appendix A, attached herein, and incorporated by reference, are approved and effective for service rendered on and after the date of this Order.

CONCLUSIONS OF LAW

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 1.

The Company is a water and sewer utility providing water and sewer service in its service area within South Carolina. The Company's operations in South Carolina are subject to the jurisdiction of the Commission pursuant to S.C. Code Ann. §58-5-10 et seq. (1976), as amended. The evidence supporting this finding is contained in the Company's Application and in prior Commission Orders in the docket files of which the Commission takes judicial notice. This finding is essentially informational and jurisdictional in nature.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 2.

A fundamental principle of the ratemaking process is the establishment of a historical test year as a basis for calculating a utility's revenues and expenses and, consequently, the validity of the utility's requested rate increase. While the Commission considers the utility's proposed rate increase based upon occurrences within the test year, the Commission will also consider adjustments for any known and measurable out-of-test-year charges and expenses, revenues, and investments, and will also

consider adjustments for any unusual situations which occurred in the test year. See, Parker v. South Carolina Public Service Commission, 280 S.C. 310, 313 S.E. 2d 290 (1984), citing City of Pittsburgh v. Pennsylvania Public Utility Commission, 187 Pa. Super. 341, 144 A. 2d 648 (1958); Southern Bell v. The Public Service Commission, 270 S.C. 590, 244 S.E. 2d 278 (1978). In light of the fact that the Company proposes the twelve (12) month period ending September 30, 1992, as the appropriate test year, and the Staff has audited the Company's books for that test year, the Commission concludes that the twelve (12) month period ending September 30, 1992, is the appropriate test year for the purposes of this rate request.

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NO. 3.

The evidence supporting this finding is found in the Company's Application, in the Stipulation between the Company and the Consumer Advocate, and in the testimony and exhibits of Company witness Haynes and Staff witness Burgess. (See Hearing Exhibits Nos. 1, 2, and 6).

EVIDENCE AND CONCLUSIONS FOR FINDING OF FACT NOS. 4, 5, 6, AND 7.

At the hearing on this matter, the Company stipulated that for the purposes of this rate proceeding the Company accepted all of the accounting and pro forma adjustments proposed by the Staff. Therefore, the Commission concludes that all of the pro forma and accounting adjustments as proposed by the Staff, and accepted in toto by the Company, are appropriate and are hereby adopted by the Commission.

After pro forma and accounting adjustments, the Company test year operating revenues, operating expenses, net operating income, and net income for return for its system were \$686,450, \$532,326, \$154,124 and \$156,966 respectively. (Hearing Exhibit No. 5, Accounting Exhibit AC). These figures are reflected in Table A as follows:

TABLE A
NET INCOME FOR RETURN

BEFORE RATE INCREASE

Operating Revenues	\$686,450
Operating Expenses	<u>532,326</u>
Net Operating Income	154,124
Customer Growth	<u>2,842</u>
Net Income for Return	<u><u>\$156,966</u></u>

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 8, 9, 10 AND 11.

Using the Commission's Finding of Fact No. 13 and the corresponding Evidence and Conclusions, infra., which approved an 8.78% operating margin after interest, the Company's operating revenues after the approved increase are \$718,363. The appropriate operating expenses, net operating income and net income for return after the approved increase are \$544,422, \$173,941 and \$177,961. These figures are reflected in Table D, infra.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 12 AND 13.

Under the guidelines established in the decisions of Bluefield Water Works Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923), and Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944), this Commission does not

ensure through regulation that a utility will produce net revenues. As the United States Supreme Court noted in Hope, a utility "has no constitutional rights to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures." However, employing fair and enlightened judgment and giving consideration to all relevant facts, the Commission should establish rates which will produce revenues "sufficient to assure confidence in the financial soundness of the utility and ... that are adequate under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties." Bluefield, supra, at 692-693.

There is no statutory authority prescribing the method which this Commission must utilize to determine the lawfulness of the rate of a public utility. For ratemaking purposes, this Commission examines the relationships between expenses, revenues, and investment in a historic test period because such an examination provides a constant and reliable factor upon which calculation can be made to formulate the basis for determining just and reasonable rates. This method was recognized and approved by the Supreme Court for ratemaking purposes involving utilities in Southern Bell Telephone and Telegraph Co. v. The Public Service Commission of S.C., 270 S.C. 590, 244 S.E. 2d 278 (1978).

For water and sewerage utilities, where the utility's rate base has been substantially reduced by customer donations, tap fees, contributions in aid of construction, and book value in

excess of investment, the Commission may decide to use the "operating ratio" and/or "operating margin" method for determining just and reasonable rates, instead of examining the utility's return on its rate base. The operating ratio is the percentage obtained by dividing total operating expenses by operating revenues. The obverse side of the calculation, the operating margin, is determined by dividing net operating income for return by the total operating revenues of the utility.

The Commission concludes that use of the operating margin as a guide in determining the lawfulness of the Company's proposed rates and, if necessary, the fixing of just and reasonable rates, is appropriate in this case. This method was recognized as an acceptable guide for ratemaking purposes in Patton v. South Carolina Public Service Commission, 280 S.C. 288, 312 S.E. 2d 257 (1984).

The following Table indicates the Company's gross revenues for the test year, after accounting and pro forma adjustments under the presently approved schedules; the Company's operating expenses for the test year, after accounting and pro forma adjustments; and the operating margin under the presently approved schedules for the test year.

TABLE B
OPERATING MARGIN

BEFORE RATE INCREASE

Operating Revenues	\$686,450
Operating Expenses	<u>532,326</u>
Net Operating Income	154,124
Customer Growth	<u>2,842</u>
Total Income for Return	<u>\$156,966</u>
Operating Margin (After Interest)	<u>6.13%</u>

The following table shows the effect of the Company's proposed rate schedule, after accounting and pro forma adjustments as recommended by Staff and accepted by the Company and as approved herein:

TABLE C
OPERATING MARGIN

AFTER PROPOSED RATE INCREASE

Operating Revenues	\$766,324
Operating Expenses	<u>562,600</u>
Net Operating Income	203,724
Customer Growth	<u>3,704</u>
Total Income for Return	<u>\$207,428</u>
Operating Margin (After Interest)	<u>12.08%</u>

The Commission is mindful of the standards delineated in the Bluefield decision and of the need to balance the respective interests of the Company and of the consumer. It is incumbent upon this Commission to consider not only the revenue requirement of the Company but also the proposed price for the sewer treatment, the

quality of the sewer service, and the effect of the proposed rates on the consumers. See, Seabrook Island Property Owners Association v. South Carolina Public Service Commission, 303 S.C. 493, 401 S.E. 2d 672 (1991); S.C. Code Ann., § 58-5-290 (1976), as amended.

The fundamental criteria of a sound rate structure have been characterized as follows:

...(a) the revenue-requirement or financial need objective, which takes the form of a fair-return standard with respect to private utility companies; (b) the fair-cost apportionment objective which invokes the principle that the burden of meeting total revenue requirements must be distributed fairly among the beneficiaries of the service; and (c) the optimum-use or consumer rationing under which the rates are designed to discourage the wasteful use of public utility services while promoting all use that is economically justified in view of the relationships between costs incurred and benefits received.

Bonbright, Principles of Public Utility Rates (1961), p. 292.

The Commission has considered the proposed increase presented by the Company in light of the various standards to be observed and the interests presented before the Commission. The Company presented the testimony of witness Haynes who provided information concerning capital improvements to the Company's wastewater treatment facilities and the increased costs associated with the Safe Drinking Water Act and the Clean Water Act.

While the Commission appreciates the costs associated with operating a system, the Commission must balance the interests of the Company - i.e. the opportunity to make a profit or earn a return on its investment, while providing adequate sewerage service - with the competing interests of the ratepayers - i.e. to receive

adequate service at a fair and reasonable rate. In balancing these competing interests, the Commission has determined that the schedule of rates and charges, as proposed by the Company and as reflected in Table C, is unjust and unreasonable and inappropriate for both the Company and its ratepayers.

Upon this finding, it is incumbent upon the Commission to approve rates which are just and reasonable, not only producing revenues and an operating margin within a reasonable range, but which also distribute fairly the revenue requirements, considering the price for which the Company's service is rendered and the quality of that service. The Commission finds that the Company has made upgrades to the sewerage system so that its customers may continue to receive adequate service. (Testimony of John S. Haynes and Hearing Exhibit 4 - Demaree Prefiled Exhibits No. 5). The Commission finds that while the proposed level of revenues and corresponding rates and charges are unreasonable, the level of revenues determined to be reasonable results from the Company's efforts in making capital investments in the system and in complying with increasing regulatory standards.

Based on the considerations enunciated in Bluefield and Seabrook Island, and on the fundamental criteria of a sound rate structure as stated in Bonbright's Principles of Public Utility Rates, the Commission determines that a fair operating margin after interest that the Company should have the opportunity to earn is 8.78%. In order to have a reasonable opportunity to earn an 8.78% operating margin after interest, the Company will need to produce

\$718,363 in total operating revenues. The following Table reflects an operating margin after interest of 8.78%:

TABLE D
OPERATING MARGIN

AFTER RATE INCREASE
(APPROVED HEREIN)

Operating Revenues	\$718,363
Operating Expenses	544,422
Net Operating Income	<u>173,941</u>
Customer Growth	4,020
Total Income for Return	<u>\$177,961</u>
Operating Margin (After Interest)	<u>8.78%</u>

While the Commission is aware of the impact on the customers by granting additional operating revenues in the amount of \$32,009, the Company has provided justification for such an increase, and the schedule of rates and charges approved herein depict just and reasonable rates.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NO. 14.

While the Company did not seek a rate increase in water service charges in this Rate Hearing, the Company did request approval to implement a Water Distribution Charge. The Company proposes to resell this bulk water to its customers at the rate at which the Company purchases the water plus the Water Distribution Charge requested here. The Water Distribution Charge is the cost of delivering the water to the customer and is composed of two (2) components - a basic facility component and a commodity component. The purchase price of the water is to be established by contract

between the Company and the bulk water supplier. The contract price of the water is then "passed" to the customer as a separate line item on the customer's bill, hence the term "pass through".

In its Application, the Company proposed a Water Distribution Charge composed of a Basic Facility component of \$6.00 and a Commodity component of \$1.26/1,000 gallons of water. Before the Hearing on this matter and in the spirit of compromise, the Company and the Consumer Advocate entered into a Stipulation where the Company reduced its proposed Commodity component of the Water Distribution Charge to \$1.18/1,000 gallons of water and the Basic Facility component remained at \$6.00. (Hearing Exhibit No. 1).

Company witness Demaree testified that the customers will realize a savings if the Company is allowed to use the York County bulk water supply as the customers will be able to discontinue use of water softeners and filters, thereby avoiding hidden costs associated with the present water supply. Edgar S. Weaver, Mayor of Tega Cay, appeared on behalf of the Company and also testified in favor of the proposed Water Distribution Charge.

This Commission approved a similar wholesale/bulk water method for Carolina Water Service, Inc. (CWS) in Docket No. 91-641-W/S. In the CWS docket, this Commission granted a bulk water distribution mechanism by setting a rate for distribution (i.e.- a Water Distribution Charge) and providing guidelines for approval of a bulk water supply contract between the Company and a supplier of bulk water. According to Company witness Demaree, the Water Distribution Charge in the present Docket is essentially the same

as the Water Distribution Charge approved in the CWS Docket, except the amount of the charge is different because the Tega Cay charge was calculated for Tega Cay and the CWS charge was calculated for CWS. (Demaree Prefiled Testimony, p. 3).

The Commission is of the opinion, and so finds, that the conditions set forth in the CWS Order for approval of bulk water agreements made by CWS are reasonable and justified and should be adopted as conditions for any and all bulk water contracts entered into by Tega Cay Water Service, Inc. The procedure for approval of bulk water contracts shall be as follows:

(1) all contracts between the Company and bulk water suppliers must be filed with the Commission for Commission approval.

(2) the Company is required to notify all affected customers of its intention to convert to a bulk water supplier and the cost per 1,000 gallons as agreed to by the Company in its contract. Such notice shall be in accordance with the Commission's standard procedures.

(3) the Company shall ensure that all contracts for bulk water contain adequate safeguards to guarantee that the Company's customers are treated in the same manner as direct customers of the bulk water supplier.

(4) a hearing on the contract shall be scheduled if deemed necessary by the Commission.

After the initial contract between the Company and the bulk water supplier is approved by the Commission, the Company will thereafter be required to notify its customers of the supplier's intent to increase its rates for the price of the water. This notice shall be given sufficiently in advance of the supplier's intended rate increase. However, future increases in the bulk

supplier's rates will not be subject to approval by this Commission.

For the reasons set forth above, the Commission approves the Water Distribution Charge composed of a \$6.00 Basic Facility component and a \$1.18/1,000 gallons Commodity component as set out in the Stipulation between the Company and the Consumer Advocate and adopts the above stated procedure for approval of bulk water supply contracts.

At the hearing, the Company presented, for Commission approval, a contract executed by the Company and York County on June 22, 1993, and under which York County would supply the Company with bulk water. Upon cross-examination, Company witness Demaree admitted that except for a notice which appeared in the newspaper regarding the county water rate schedule, the customers of the Company had not been noticed as to the contract and water rates under the contract. Therefore, under the conditions as set forth above for approval of bulk water supply contracts, the Commission cannot approve the contract at this time. Pursuant to the conditions as set forth above, the contract between the Company and York County must be noticed to all affected customers in a manner prescribed by the Commission.

The Company is directed to submit the contract with York County for Commission approval under the conditions as set forth above.

Company witness Demaree also testified that under the contract new customers would be required to pay not only Company tap fees

but also County tap fees. Therefore, when the Company submits the contract for Commission approval, the Company shall also submit justification and information to allow Commission review of the Company's tap fees.

EVIDENCE AND CONCLUSIONS FOR FINDINGS OF FACT NOS. 15 AND 16.

Based on the considerations and reasoning as set forth in this Order, the Commission hereby approves the rates and charges as stated in this Order, and set forth in Appendix A, as a just and reasonable manner in which to produce the increased revenues which are necessary to provide the opportunity to earn the approved operating margin after interest of 8.78%. To that end, the Company is hereby authorized to increase the charges for sewer service from \$20.00 to \$22.00 per single-family equivalent. Additionally, the Company is authorized to implement, as a part of its tariff, a Water Distribution Charge consisting of a Basic Facility Charge of \$6.00 per single-family equivalent unit and a Commodity Charge of \$1.18 per 1,000 gallons.

The Commission finds and concludes that the rates and charges approved herein achieve a balance between the interests of the Company and those of the customers. The rates and charges approved herein result in a reasonable attainment of the Commission's ratemaking objectives in light of the applicable statutory safeguards and are a just and reasonable manner in which to produce and distribute the increased revenues which are necessary to provide the opportunity to earn the approved operating margin.

IT IS THEREFORE ORDERED THAT:

1. The schedule of rates and charges as proposed by the Company are found to be unreasonable and are hereby denied.

2. The schedule of rates and charges attached hereto as Appendix A are hereby approved for service rendered on or after the date of this Order. The schedule is deemed to be filed with the Commission pursuant to S.C. Code Ann. §58-5-240 (1976), as amended.

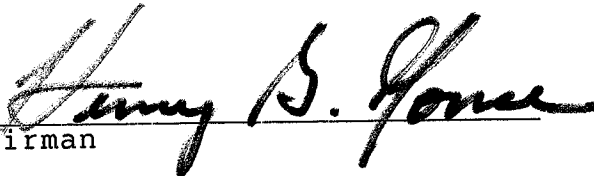
3. Should the approved schedule not be placed in effect until three (3) months from the effective date of this Order, the schedule shall not be charged without written permission from the Commission.

4. The Company shall submit the bulk water supply contract with York County for Commission approval in accordance with the conditions set forth in this Order. Furthermore, the Company shall submit with the proposed contract justification and information regarding the tap fees charged by the Company.

5. The Company shall maintain its books and records for water and sewer operations in accordance with the NARUC Uniform System of Accounts for Class A and B Water and Sewer Utilities, as adopted by this Commission.

6. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy Executive Director

(SEAL)

APPENDIX A

TEGA CAY WATER SERVICE, INC.
5701 WEST PARK DR.
SUITE 101
PO BOX 240705
CHARLOTTE, N. C. 28224-0705
PHONE NO. 704-525-7990

FILED PRUSUANT TO DOCKET NO. 92-638-W/S - ORDER NO. 93-602
EFFECTIVE DATE JULY 23, 1993

SCHEDULE OF RATES AND CHARGES

I. WATER

1. MONTHLY CHARGES

- a. Basic Facility Charge \$6.00 per single - family
equivalent unit

PLUS

- b. Commodity Charge: \$2.40 per 1,000 gallons
(Usage)

- c. The basic facility charge is a minimum charge per unit and shall apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the monthly basic facility charge may be obtained by multiplying the equivalency rating by the basic facility charge of \$6.00.

When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter. Consumption of all units served through such meter will be averaged; a bill will be calculated based on that average plus the addition of the basic facility charge per unit and the result multiplied by the number of units served by a single meter.

2. CHARGE FOR WATER DISTRIBUTION ONLY

Where water is purchased from a government body or agency or other entity for distribution by the Company, the following rates apply:

Residential

- a. Basic Facility Charge \$6.00 per single - family
equivalent unit

PLUS

- b. Commodity Charge: \$1.18 per 1,000 gallons
(Usage)

The Utility will also charge for the cost of water supplied by the government body or agency, or other entity. The charges imposed or charged by the government body or agency, or other entity providing water will be charged to the Utility's affected customers on a pro rata basis without markup.

- c. The basic facility charge is a minimum charge per unit and shall apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the monthly basic facility charge may be obtained by multiplying the equivalency rating by the basic facility charge of \$6.00.

When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter. Consumption of all units served through such meter will be averaged; a bill will be calculated based on that average plus the addition of the basic facility charge per unit and the result multiplied by the number of units served by a single meter.

3. NON RECURRING CHARGES

- a. Tap fee (which includes a water service connection charge and capacity fee) \$600.00 per single - family equivalent unit ***

The non recurring charges listed above are minimum charges and apply even if the equivalency is less than one. If the equivalency rating is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for and/or initial connection to the water system is requested.

(***Unless prohibited by contract approved by South Carolina Public Service Commission.)

4. RECONNECTION AND ACCOUNT SET-UP CHARGES

- a. Water reconnection fee \$40.00
b. Customer account charges \$30.00
(One-time fee to be charged to each new account to defray cost of initiating service)

5. OTHER SERVICES

Fire Hydrant - One Hundred (\$100.00) per hydrant per year for water service payable in advance. Any water used should be metered and the commodity charge in Section One (1) or Two (2) above will apply to such usage.

II. SEWER

1. MONTHLY CHARGES

- a. Residential - Monthly Charge \$22.00
per single-family house,
condominium, villa, or
apartment unit
- b. Commercial - Monthly Charge \$22.00
per single-family equivalent
- c. The monthly charges listed above are minimum charges and shall apply even if the equivalency is less than one (1). If the equivalency is greater than one (1), then the monthly charges may be calculated by multiplying the equivalency rating by the monthly charge of \$22.00.

2. NON RECURRING CHARGES

- a. Tap fees (which includes sewer \$1,200.00 per single - family
service connection charges and equivalent unit ***
capacity charges)
- b. The non recurring charges listed above are minimum charges and apply even if the equivalency rating of a non residential customer is less than one (1). If the equivalency rating is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

3. NOTIFICATION, ACCOUNT SET-UP AND RECONNECTION CHARGES

- a. Notification Fee: A fee of \$15.00 shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R.103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.
- b. Customer Account Charge: A fee of \$20.00 shall be charged as a one-time fee to defray the costs of initiating service. This charge will be waived if the customer is also a water customer.

- c. Reconnection Charges: In addition to any other charges that may be due, a reconnection fee of \$250.00 shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4. The amount of the reconnection fee shall be in accordance with R.103-532.4 and shall be changed to conform with said rule, as the rule is amended from time to time.

III. GENERAL PROVISIONS

1. BILLING CYCLE

Recurring charges will be billed monthly or bi-monthly in arrears. Non recurring charges may be billed and collected in advance of service being provided.

2. LATE PAYMENT CHARGES

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half percent (1 1/2%) for each month (or any part of a month) that said payment remains unpaid.

3. TAX MULTIPLIER

Except as otherwise provided by contract approved by the South Carolina Public Service Commission, amounts paid or transferred to the Utility by customers, builders, developers or others, either in the form of cash or property, shall be increased by a cash payment in an amount equal to the income taxes owed on the cash or property transferred to the Utility by customers, builders, developers, or others, and properly classified as a contribution or advance in aid of construction in accordance with the uniform system of accounts. Included in this classification are tap fees.

4. TOXIC AND PRETREATMENT EFFLUENT GUIDELINES

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

5. LANDLORD/TENANT RELATIONSHIP

In the case of landlord/tenant relationship where the tenant is the customer, the Utility may require the landlord to execute an agreement wherein such landlord agrees to be responsible for all charges billed to the premises in accordance with the approved tariffs and the Rules of the Commission, and said account shall be considered the landlord's and tenant's account. In the event the landlord refuses to execute such an agreement, the Utility may not discontinue service to the premises unless and until the tenant becomes delinquent on his account or until the premises are vacated. The Utility may discontinue service pursuant to R.103.535.1 if the account is delinquent or may discontinue service at the time the premises are vacated, and the Utility shall not be required to furnish service thereafter to the premises until the landlord has executed the agreement, and paid the reconnection charges.

6. CONSTRUCTION STANDARDS

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed in constructing parts of the water or sewer systems.

7. SINGLE FAMILY EQUIVALENT

The list set forth below establishes the minimum equivalency rating for commercial customers applying for or receiving sewer service from the Utility. Where the Utility has reason to suspect that a person or entity is exceeding design loading established by the South Carolina Pollution Control Authority in a publication called "Guidelines for Unit Contributory Loading to Wastewater Treatment Facilities" (1972), as may be amended from time to time or as may be set forth in any successor publication, the Utility shall have the right to request and receive water usage records from the provider of water to such person or entity. Also, the Utility shall have the right to conduct an "on premises" inspection of the customer's premises. If it is determined that the actual flows or loadings are greater than the design flows or loadings, then the Utility shall recalculate the customer's equivalency rating based on actual flows or loadings and thereafter bill for its service in accordance with such recalculated loading.

TYPE OF ESTABLISHMENT		EQUIVALENCY RATING
1.	Airport	
	(a) Each Employee.....	.025
	(b) Each Passenger.....	.0125
2.	Apartments.....	1.0
3.	Bars	
	(a) Each Employee.....	.025
	(b) Each Seat (Excluding Restaurant).....	.1
4.	Boarding House (Per Resident).....	.125
5.	Bowling Alley	
	(a) Per Lane (No Restaurant).....	.3125
	(b) Additional for Bars and Cocktail Lounges (Per Seat or Person).....	.0075
6.	Camps	
	(a) Resort (Luxury) (Per Person).....	.25
	(b) Summer (Per Person).....	.125
	(c) Day (With Central Bathhouse) (Per Person)	.0875
	(d) Per Travel Trailer Site.....	.4375
7.	Churches (Per Seat).....	.0075
8.	Clinics	
	(a) Per Staff.....	.0375
	(b) Per Patient.....	.0125
9.	Country Club (Each Member).....	.125
10.	Factories	
	(a) Each Employee (No Showers).....	.0625
	(b) Each Employee (With Showers).....	.0875
	(c) Each Employee (With Kitchen Facilities).	.1
11.	Fairgrounds (Per Person Based on Average Attendance).....	.0125
12.	Food Service Operations	
	(a) Ordinary Restaurant (Up to 12 Hours) (Per Seat).....	.175
	(b) Over 12 Hour Restaurant (Per Seat).....	.25
	(c) Curb Service (Drive in) (Per Seat).....	.25
	(d) Vending Machine Restaurant (Per Person).	.175
13.	Hospitals	
	(a) Per Bed.....	.5
	(b) Per Resident Staff.....	.25

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14.	Hotels	(Per Bedroom - No Restaurant).....	.25
15.	Institutions	(Per Resident).....	.25
16.	Laundries	(Self Service - Per Machine).....	1.0
17.	Mobile Homes	1.0
18.	Motels	(Per Unit - No Restaurant).....	.25
19.	Nursing Homes		
	(a)	Per Bed (No Laundry).....	.25
	(b)	Per Bed (With Laundry).....	.375
20.	Offices	(Per Person - No Restaurant).....	.0625
21.	Picnic Parks	(Average Daily Attendance) (Per Person).....	.025
22.	Residences	(Single Family).....	1.0
23.	Rest Homes		
	(a)	Per Bed (No Laundry).....	.25
	(b)	Per Bed (With Laundry).....	.375
24.	Schools		
	(a)	Per Person (No Showers, Gym, Cafeteria)	.025
	(b)	Per Person With Cafeteria (No Gym, Shower).....	.0375
	(c)	Per Person With Cafeteria, Gym & Shower.	.05
25.	Service Stations		
	(a)	Each Car Served (Per Day).....	.025
	(b)	Each Car Washed (Per Day).....	.1875
	(c)	First Bay.....	2.5
	(d)	Each Additional Bay.....	1.25
26.	Shopping Centers	(Per 1,000 sq. ft. Space- No Restaurants).....	.5
27.	Stadiums	(Per Seat - No Restaurants).....	.005
28.	Swimming Pools	(Per Person With Sanitary Facilities and Showers).....	.025
29.	Theatres		
	(a)	Drive in (Per Stall).....	.0125
	(b)	Indoor (Per Seat).....	.0125